

AMENDED IN ASSEMBLY MAY 26, 2005

AMENDED IN ASSEMBLY MARCH 9, 2005

CALIFORNIA LEGISLATURE—2005—06 REGULAR SESSION

## ASSEMBLY BILL

**No. 55**

**Introduced by Assembly Member Mullin**

*(Principal coauthor: Senator Alquist)*

**(Coauthors: Assembly Members ~~DeVore~~, Baca, Bermudez, Cohn, Dymally, Evans, Hancock, Jones, Karnette, Levine, Nava, Negrete McLeod, Parra, Pavley, Ruskin, and ~~Wolk~~ Salinas, Wolk, and Yee)**

**(Coauthors: Senators Denham and Soto)**

December 6, 2004

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An act to add Section 22955.1 to, and to repeal and add Section 22954.1 of, the Education Code, relating to state teachers' retirement, making an appropriation therefor.

### LEGISLATIVE COUNSEL'S DIGEST

AB 55, as amended, Mullin. State teachers' retirement: appropriations.

(1) Under the existing Teachers' Retirement Law, a continuous appropriation equal to 2.5% of creditable compensation, as specified, is made annually from the General Fund for transfer to the Supplemental Benefit Maintenance Account in the Teachers' Retirement Fund to fund purchase power protection payments to retired members of the Defined Benefit Program of the State Teachers' Retirement System. Existing law decreases that appropriation by \$500,000,000 for the 2003–04 fiscal year.

This bill would provide that a certain percentage, as adjusted by the Teachers' Retirement Board, of that creditable compensation shall be

credited to the Supplemental Benefit Maintenance Account each year for ~~2 3~~ years commencing July 1, ~~2008~~ 2006.

(2) Existing law requires the Teachers' Retirement Board, beginning in 2006 and every 4 years thereafter, to report to the Legislature and the Department of Finance regarding the ability of the retirement system to pay purchase power protection payments in each fiscal year until 2036 and appropriates funds, as determined by the actuary and certified by the Director of Finance, as necessary to enable the Teachers' Retirement System to make those payments, as specified, until June 30, 2036.

This bill would delete that requirement.

(3) Under the Teachers' Retirement Law, on and after July 1, 2003, a continuous appropriation equal to 2.541 of creditable compensation, as specified, is to be made annually from the General Fund to the Teachers' Retirement Fund.

This bill would make an additional continuous appropriation from the General Fund to the Teachers' Retirement Fund on July 1, ~~2010~~ 2008, and each July 1, until July 1, 2017, in an amount equal to a percentage of creditable compensation for a certain period, as specified. The amount would be adjusted based on the average annual rate of return on investment of funds in the Teachers' Retirement Fund, according to a specified schedule.

(4) The bill would include a statement of legislative intent regarding purchasing power protection for retired educators. The bill would also include a statement of legislative findings regarding the effect of the bill on the actuarial soundness of the Teachers' Retirement Fund.

Vote:  $\frac{2}{3}$ . Appropriation: yes. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. It is the intent of the Legislature to restore over
- 2 time the funding provided under current law, in order to provide
- 3 purchasing power protection for retired pensioners in CalSTRS,
- 4 so that the 63,000 retired educators, who are mostly women with
- 5 an average age of 82 years, can receive the level of purchasing
- 6 power protection provided for by law.
- 7 SEC. 2. Section 22954.1 of the Education Code is repealed.

SEC. 3. Section 22954.1 is added to the Education Code, to read:

22954.1. On July 1, ~~2008~~ 2006, and each July 1, thereafter to July 1, ~~2010~~ 2009, inclusive, an amount equal to ~~0.3674~~ 0.6843 percent of the total of the creditable compensation of the fiscal year ending in the immediately preceding calendar year upon which members' contributions are based shall be credited to the Supplemental Benefit Maintenance Account. This rate shall be adjusted by the board to reflect any changes in the rate of interest credited to accumulated reserves pursuant to subdivision (b) of Section 22216.

SEC. 4. Section 22955.1 is added to the Education Code, to read:

22955.1. (a) In addition to the amount appropriated pursuant to Section 22955, and notwithstanding Section 13340 of the Government Code, on July 1, ~~2010~~ 2008, and each July 1, thereafter, to July 1, 2017, inclusive, a continuous appropriation is hereby made from the General Fund to the Controller for transfer to the Teachers' Retirement Fund equal to 0.9973 percent of the total of the creditable compensation of the fiscal year ending in the immediately preceding calendar year upon which members' contributions are based.

(b) The amount appropriated pursuant to subdivision (a) on July 1, ~~2010~~ 2017, shall be adjusted by an amount equal to the percentage of the total of the creditable compensation of the fiscal year ending in the immediately preceding calendar year upon which members' contributions are based set forth opposite the actual average annual rate of return on the investment of funds in the Teachers' Retirement Fund from July 1, 2004, to June 30, ~~2010~~ 2017, inclusive, ~~set forth in~~ as reported by the board to the Director of Finance and the Controller in accordance with the following schedule:

If the average annual rate of return is:	The Percentage is:
Less than 3.5 percent.....	<del>-0.6988</del>
	-1.7589 percent
At least 3.5 but less than 5 percent.....	<del>-0.4822</del>
	-1.2693 percent
At least 5 percent but less than 6.5 percent.....	<del>-0.2496</del>
	-0.6881 percent

1	At least 6.5 percent but less than 8 percent.....	0.0000 percent
2	At least 8 percent but less than 9.5 percent.....	<del>0.2675</del>
3		0.8129 percent
4	At least 9.5 percent but less than 11 percent.....	<del>0.5540</del>
5		1.7711 percent
6	Equal to or greater than 11 percent.....	<del>0.8606</del>
7		2.8979 percent

8  
 9 (c) Of the amount appropriated pursuant to ~~this section~~  
 10 *subdivision (a)* on July 1, ~~2010~~ 2017, 95 percent shall be  
 11 transferred to the Teachers' Retirement Fund on July 1, ~~2010~~  
 12 2017, and the balance of the appropriation *according to the*  
 13 *schedule specified in subdivision (b)* shall be transferred to the  
 14 Teachers' Retirement Fund on September 1, ~~2010~~ 2017.

15 (d) *The Legislature reserves the right to amend this section to*  
 16 *increase the contribution rate prior to July 1, 2017, in order to*  
 17 *provide an appropriation that is actuarially equivalent to the*  
 18 *appropriation made in subdivisions (a) and (b), as determined by*  
 19 *the board in an actuarial analysis requested by the board. Any*  
 20 *resulting change in the appropriation shall be in lieu of any*  
 21 *appropriation made by this section that has not yet been*  
 22 *transferred to the Teachers' Retirement Fund.*

23 SEC. 5. The Legislature finds and declares that the actuary  
 24 retained by the Teachers' Retirement Board has determined that  
 25 the appropriation to the Teachers' Retirement Fund may be  
 26 decreased and later increased in the manner prescribed by this act  
 27 without impairing the actuarial soundness of the fund.